

plus a competitive call on 75% of Dome's share of gas discovered subject to export approval by Canadian regulatory bodies. The cost of development wells will be in addition to the \$30 million commitment and will be borne by each of the four parties equally. The three Gas Companies can expand the exploratory drilling program to a maximum of ten years by additional annual commitments of \$6 million.

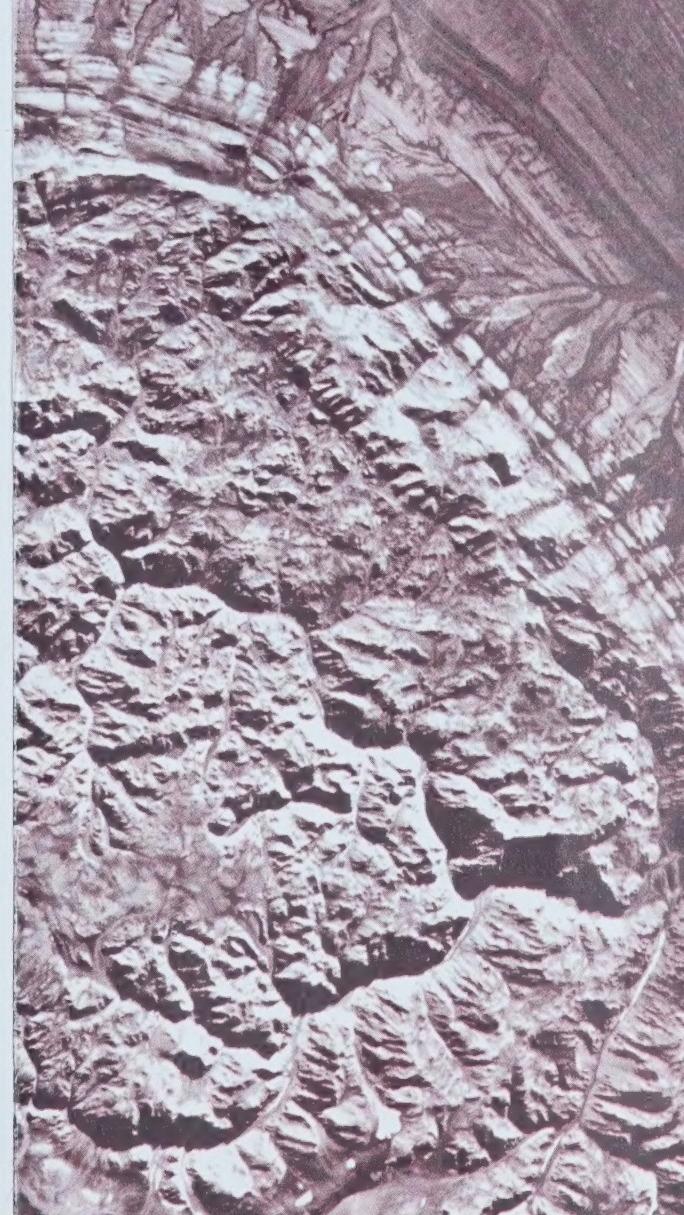
The agreement provides for the recovery by the Gas Companies of their expenditures plus interest out of 20% of Dome's share of any production discovered during the period of the exploratory drilling program.

Under a previous agreement Columbia Gas Development Corporation has the right to earn a competitive call on 25% of Dome's share of any gas encountered in these lands.

In Alberta Dome drilled a significant gas discovery at Wolf Creek approximately 175 miles northwest of Calgary. Your Company has working or option interests in a total of 48,500 acres (16,800 net acres) of petroleum and natural gas rights along this gas trend. Further drilling is planned.

In Alaska drilling resumed at the Kemik well on the North Slope following suspension during the summer months. This well is being drilled on a large geological structure located 20 miles southwest of the major Amoco Kavik gas discovery. On completion at an estimated 13,000 feet, Dome will have earned an 11.75% interest in 29,000 acres surrounding the well with a right to acquire a 12.5% interest in 41,000 acres of priority lease applications located in the immediate area.

C. W. MICHEL, J. P. GALLAGHER,
Chairman of the Board. *President.*



DOME
PETROLEUM
LIMITED

INTERIM REPORT
DECEMBER 31, 1971

TO THE SHAREHOLDERS

The following are the results of your Company's operations during 1971 and unaudited financial statements:

Financial

Gross income increased to \$43,300,000;
Cash flow increased 20% to \$15,800,000;

Net income (before extraordinary items)
increased 23% to \$9,900,000;

(Extraordinary items for 1971
amount to \$417,000 compared
to \$2,078,000 for 1970).

Shares outstanding 10,264,404;
Cash flow per share \$1.54;
Net income per share \$1.01.

Production

Oil, natural gas liquids and oil equivalent of gas production averaged 27,900 net barrels per day compared with 25,562 net barrels per day during 1970.

Drilling

The Company participated in drilling 106 wells including 82 exploratory wells of which 66 were drilled at no cost to Dome. The program resulted in 4 oil wells (0.83 net) and 30 gas wells (6.03 net).

Land

Land holdings at December 31st, 1971, totalled 22,189,533 gross acres (16,172,169 net acres) of oil and gas rights. This represents a decrease of 1,036,831 net acres during 1971. This reduction resulted primarily from the surrender of less attractive acreage in the Hudson Bay area which was partially offset by the addition of 762,652 net acres in the Arctic Islands.

Exploration

In the Arctic Islands a third major gas discovery was made on December 10th at Kristoffer Bay on Ellef Ringnes Island by Panarctic Oils Ltd., in which Dome has a 4.06% interest. This well is located five miles south of Dome's 330,600 acre block (203,300 net acres) of petroleum and natural gas rights. Geological and geophysical data suggest that the Kristoffer Bay structure extends under this acreage. In addition, your Company holds working interests in 3,758,000 acres (2,568,000 net acres) within a 125 mile radius of this discovery, including a 100% working interest in 190,000 acres adjacent to Panarctic's previous King Christian Island gas discovery. A number of structures similar to the King Christian and Kristoffer gas discoveries have been outlined geophysically on these properties. Additional seismic surveys are planned, commencing February, 1972.

An agreement has been reached in principle with Consolidated Gas Supply Corporation of Pittsburgh, Texas Gas Exploration Limited and Panhandle Eastern Pipe Line Company of Houston whereby these three Companies will spend a minimum of \$30 million in exploratory drilling over a five-year period on Dome lands in the Canadian Arctic Islands commencing in the fall of 1972. Dome will operate the program and will carry out, at its own expense, geological and geophysical surveys necessary to delineate drillable structures.

Dome has interests (excluding its interests in Panarctic) in approximately 7.5 million acres (6.3 million net acres) in the Arctic Islands which will be subject to this agreement. On completion of the exploratory drilling program the Gas Companies will jointly earn 1% of Dome's interest in each prospect drilled